Westpac Active Series

Income Strategies Trust

Fund Update for the quarter ended:

31 December 2021

This fund update was first made publicly available on 14 February 2022.

What is the purpose of this update?

This document tells you how the Income Strategies Trust has performed and what fees were charged. The document will help you to compare the fund with other funds. BT Funds Management (NZ) Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The Income Strategies Trust aims to provide stable returns over the short to medium term. The fund invests in a diversified range of income assets. Volatility is expected to be the lowest of the funds in the Westpac Active Series. The fund closed to new investment on 18 April 2019.

Total value of the fund	$ 4,378,694
The date the fund started	14 February 2012

What are the risks of investing?

Risk indicator for the Income Strategies Trust.[1]

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at sorted.org.nz/tools/investor-kickstarter

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 31 December 2021. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

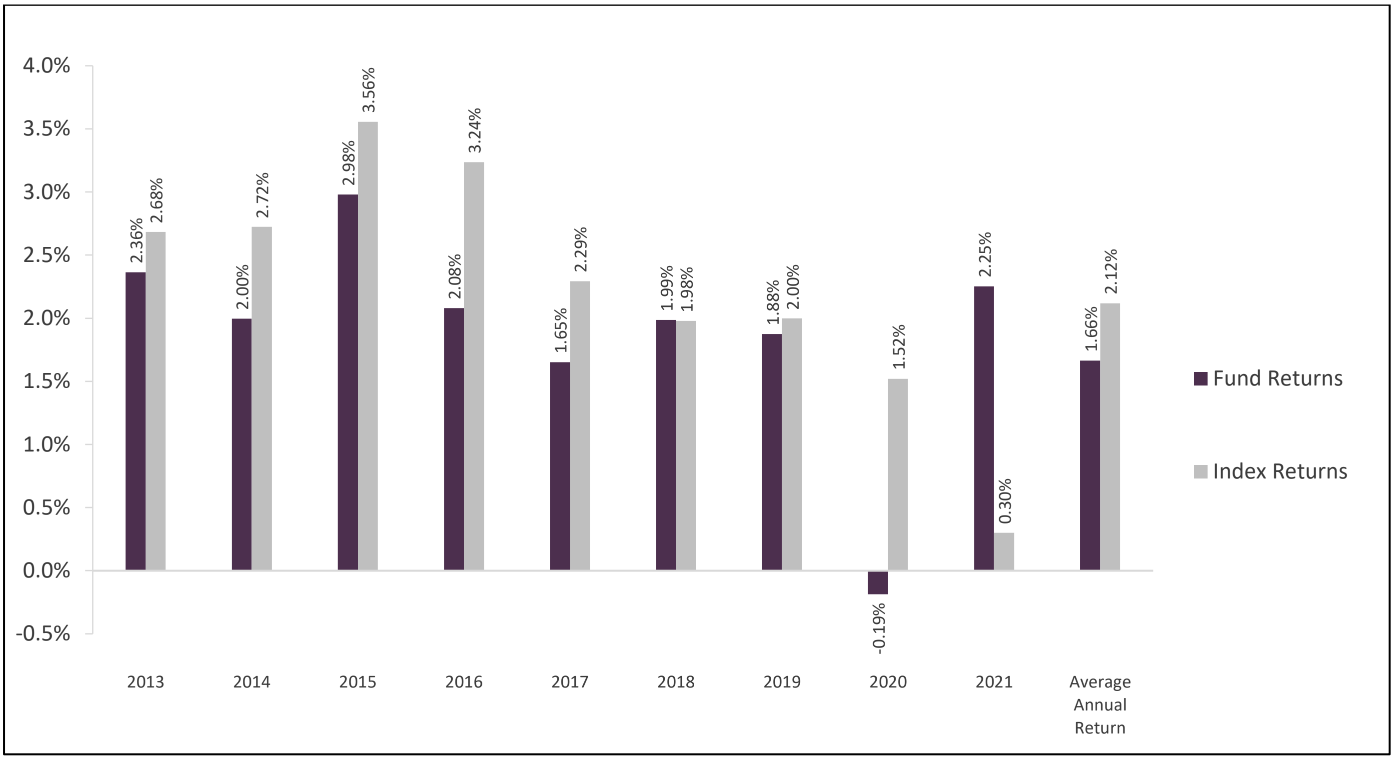
How has the fund performed?

	Average over past 5 years	Past year
Annual return (after deductions for charges and tax)	1.11%	-1.53%
Annual return (after deductions for charges but before tax)	1.55%	-2.09%
Market index annual return (reflects no deductions for charges and tax)	1.33%	0.41%

The market index return reflects the return for the Bloomberg NZBond Bank Bill Index.

Additional information about the market index is available in the Statement of Investment Policy and Objectives (SIPO) on the offer register at disclose-register.companiesoffice.govt.nz.

Annual return graph



This shows the return after fund charges and tax for each complete year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 31 December 2021[2].

Important: This does not tell you how the fund will perform in the future. Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Income Strategies Trust are charged fund charges. In the year to 31 March 2021, these were:

	% of net asset value
Total fund charges[3]	**0.83%***
Which are made up of	
Total management and administration charges Including -	**0.83%**
Manager's basic fee	0.81%
Other management and administration charges	0.02%
Total performance-based fees	**0.00%**
Other charges	**$ amount per investor**
Other Charges	$0.00

*From 28 September 2021, the Manager estimates that the total fund charges for the next scheme year will reduce to 0.66% of the fund's net asset value. For further information on the total fund charges refer to the PDS.

Small differences in fees and charges can have a big impact on your investment over the long term.

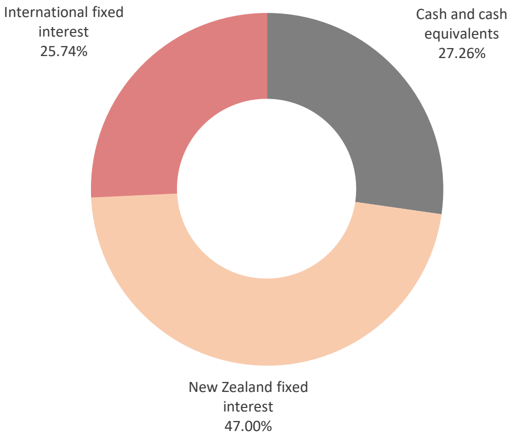
Example of how this applies to an investor

Jason had $10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Jason incurred a loss after fund charges were deducted of -$153 (that is -1.53% of his initial $10,000). Jason did not pay anything in other charges. This gives Jason a total loss after tax of -$153 for the year.

What does the fund invest in?

This shows the types of assets that the fund invests in.[4]

Actual investment mix[5]



Target investment mix

Cash and cash equivalents	20.00%
New Zealand fixed interest	50.00%
International fixed interest	30.00%

Top 10 investments

	Name	% of fund net assets	Type	Country	Credit rating (if applicable)
1	US 5YR Note (CBT)	1.35%	International fixed interest	United States of America	Unrated
2	Housing NZ 3.42% 18/10/2028	1.05%	New Zealand fixed interest	New Zealand	AAA
3	Westpac 2.22% 29/07/2024	1.00%	New Zealand fixed interest	New Zealand	AA-
4	ASB Bank 1.83% 19/08/2024	0.99%	New Zealand fixed interest	New Zealand	AA-
5	ANZ 3.7% 30/05/2023	0.96%	New Zealand fixed interest	New Zealand	AA-
6	ASB Bank 3.31% 07/09/2023	0.96%	New Zealand fixed interest	New Zealand	AA-
7	Westpac 3.72% 23/03/2023	0.94%	New Zealand fixed interest	New Zealand	AA-
8	BNZ 3.648% 16/11/2023	0.90%	New Zealand fixed interest	New Zealand	AA-
9	Housing NZ 1.534% 10/09/2035	0.88%	New Zealand fixed interest	New Zealand	AAA
10	Housing NZ 2.247% 05/10/2026	0.88%	New Zealand fixed interest	New Zealand	AAA

The top 10 investments make up 9.91% of the net asset value of the fund.[6]

Currency Hedging

The international fixed interest asset class in the fund has exposure to foreign currencies. As at 31 December 2021, the actual currency hedging for the international fixed interest asset class was 98% (benchmark 100%).

Additional information about the currency hedging policy can be found in the SIPO which is available on the offer register at disclose-register.companiesoffice.govt.nz.

Key personnel

	Name	Current position	Time in current position	Previous or other current position	Time in previous or other current position
1	Nigel Jackson	Head of Investments	0 year 11 months	Acting Head of Investments & Insurance	3 years 10 months
2	Philip Houghton-Brown	Head of Investment Solutions	1 year 3 months	Chief Investment Officer / Head of Investments, Mercer	8 years 2 months
3	Francois Richeboeuf	Senior Portfolio Manager	11 years 2 months	Acting Head of Investment Solutions	0 year 8 months
4	Stephen Hong	Senior Portfolio Manager	9 years 3 months	Portfolio Manager, AXA Global Investors	5 years 9 months
5	Angelika Sansom	Investment Analytics Manager	20 years 4 months	Investment Consultant, Mercer	2 years 4 months

Further information

You can also obtain this information, the PDS for the Westpac Active Series, and some additional information from the offer register at disclose-register.companiesoffice.govt.nz.

Notes

1. The risk indicator for the fund is calculated based on the volatility of returns over the past five years, which may not be a full investment cycle. In some cases the risk indicator might differ if calculated using a longer timeframe. We believe an average investment cycle is generally considered to be a period of between 7 to 10 years. If the period of returns data that a risk indicator is based on has had unusually low or high volatility the risk indicator presented in a fund update may provide a less reliable indication of a fund's potential future volatility.
2. As at 14 August 2012, certain of the Income Strategies Trust's assets were invested in the Corporate Bond Fund. On 14 August 2012 BT Funds Management (NZ) Limited (BTNZ), in its own capacity, purchased certain notes from the Corporate Bond Fund at their book value. The purchase followed a decline in the notes' asset backing which contributed to uncertainty as to the notes' value. BTNZ concluded that the notes were no longer a suitable investment for the Corporate Bond Fund and that they should be sold. On 27 February 2013, the notes were given a zero value in BTNZ's financial statements to 30 September 2012. This determination indicates that the transaction may have had a positive effect on the Corporate Bond Fund's performance, and therefore the Income Strategies Trust's performance in periods which include August 2012. If the notes had been retained and a zero value was attributed to them on 14 August 2012, the Income Strategies Trust's returns (after deductions for charges but before tax) in August 2012 would have been 1.29% lower (returns after deductions for charges and tax at the highest prescribed investor rate would have been 0.9% lower). The Income Strategies Trust's stated returns for periods which include August 2012 would also be affected.
3. The amounts specified include GST, where applicable.
4. For further information on each of the asset classes refer to the SIPO.
5. For the reporting of the Actual investment mix, cash and cash equivalents held for operational and hedging purposes at an asset class level (in the underlying funds) are assigned to the asset class to which they relate.
6. The top 10 investments have been calculated excluding cash and cash equivalents held for operational and hedging purposes.